Committee on Ways and Means

Veteran's Model for Drugs is Not a Model for Medicare

- **VA Formulary Excludes Many Top Drugs for Seniors** – According to the experience with the Medicare Drug Discount cards, 33 of the top 100 drugs used by seniors are brand-name drugs. Yet the national Veterans Affairs (VA) formulary, which leans heavily towards generic drugs, excludes 20 of these 33 brand-name drugs, including popular drugs like Lipitor, Prevacid, and Protonix.

- **VA Model Limits Drug Choices** – The VA formulary is restrictive and limits a patient's options to choose their own medicines (according to the VA, 61 percent of drugs listed on their formulary are generic). Limited choices partially explain why prices for drugs in the VA are so low.

- **Comparing VA to Medicare: Apples and Oranges** – The VA represents approximately 3.5 million veterans which accounts for just 1 percent of total drug spending nationwide. But the Medicare program currently covers 41 million seniors and disabled individuals. This group represents 14 percent of the total population but 40 percent of total drug consumption.

    - That's why the GAO concluded that using the VA's model for Medicare would result in manufacturers immediately increasing prices throughout the private sector to make up for losses on Medicare.

    - These price increases in the private sector would ultimately increase the cost of drugs under Medicare since the VA FSS rates are based on the average drug price paid by wholesalers taking into account any discounts or rebates.

- **Seniors Like Their Own Doctors and Pharmacists** – In the VA system, only VA doctors prescribe VA approved drugs, which are dispensed at VA facilities. This type of closed system would prevent Medicare seniors from convenient access to local pharmacies and trusted doctors.

- **Barriers to the Best Drug in VA Model** – Physicians would have difficulty prescribing non-formulary drugs for Medicare seniors under the VA's model. Non-formulary prescriptions are approved by the VA only when the patient is believed to meet one of six narrow tests, such as:

    - Contradiction to formulary drugs.
    - Adverse reaction to formulary drugs.
    - Therapeutic failure of all formulary alternatives.
    - No formulary alternative exists.
    - The patient has previously responded to a non-formulary drug and serious risk is associated with a change to a formulary drug.
    - Other circumstances having compelling evidence-based clinical reasons.